Statement to the Connecticut General Assembly Appropriations Committee Regarding the Proposal to Consolidate the State Board of Accountancy with the Department of Consumer Protection

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My name is Andrew Rosman. I am a CPA and an associate professor of Accounting at the University of Connecticut. I am here to address the Governor's proposed budget recommendation that the Connecticut State Board of Accountancy be consolidated with the Department of Consumer Protection (DCP) "as part of her proposal to streamline government." Because the change is being made <u>solely for the purpose of streamlining government</u>, and is not based on improving services or Board performance, I must assume that the intent is to cut the State Board's budget. Therefore, it is worthwhile to focus on the likelihood of any significant or meaningful cuts and the impact on the ability of the Board to continue to protect the public interest. In other words, what are the benefits and the costs?

The State Board collects fees from CPAs in the amount of approximately $2.5 million. The proposed increase of 25% in fees means that the Board will be collecting fees under the new budget of approximately $3,125,000 per year. The Board also brings in revenue from enforcement actions, which so far this year totals approximately $112,000. Therefore, the Board's projected annual revenue is approximately $3.25 million.

Compare that amount of revenue with what it costs to run the Board, which is approximately $420,000 per year. That means that the Board generates a net profit of approximately $2.8 million each year. Put differently, the Board brings in almost eight times what it costs to run its operations. So, I am naturally concerned that in the effort to streamline government there is not much to cut at the State Board without putting the public at risk. The Board has limited staff – a full-time executive director and attorney as well as support staff. The likely cuts of any significance would be in one or both of these full-time positions. Cutting either position would be disastrous to the functioning of the Board. The end result is that cutting either position would harm the public interest. Would it be wise for Connecticut to be the only state without an executive director as the point person with NASBA (the National Association of State Boards of Accountancy)? Transferring the responsibility of interacting with NASBA to the Board members, who are volunteers, would not only be less effective but it would discourage members of the community from volunteering as Board members. Ultimately, Idaho, Tennessee, and other states would set Connecticut policy regarding the CPA exam and licensing because Connecticut would have limited representation and impact on NASBA.

Ironically, the proposal would mean less oversight of fee collection and enforcement activities. So, very quickly the anticipated savings would be offset by the reduced revenue, which means there would be no net savings. Perhaps more importantly, the public would be put at risk as the Board is left unable to pursue enforcement activities and collect fees, both of which not only bring in revenue, but ultimately protect the public.

In short, the ultimate goal of moving the State Board of Accountancy to the Department of Consumer Protection is to save money, which can only be accomplished by cutting the two full-time staff. Doing so would provide short-term savings that very quickly would be offset by reduced revenue from fee collection and enforcement action. All that Connecticut would be left with is the "perfect storm": less revenue not more, regulations imposed on us by other states, and less enforcement to protect the public interest.